February, 1958

THE
Credit Union

OFFICIAL PUBLICATION OF THE CREDIT U

ON THE COVER

This small men's college up the hill from Broadway in uptown New York City is working out a student loan plan in which life savings insurance plays a key role. See story on page 12.

The Credit Union Bridge

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VOL. 22 NO. 12

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Two offices—one in the courthouse building and one a block behind—serve members of U. S. Courthouse Credit Union in Nashville, Tenn.

COUNSELLING

SOME CASE HISTORIES AND SOME PRACTICAL LESSONS FROM THE EXPERIENCE OF THE U.S. COURTHOUSE GROUP IN NASHVILLE, TENNESSEE

YOU'RE a credit counselor in a credit union. You don't just take loan applications; you interview and try to understand your members. You don't just fill out some forms and scratch an X to denote the space for the member's signature; you ask searching questions and try to find revealing answers. You may hold a life in your hands.

In Nashville, Tennessee, at the U.S. Courthouse Credit Union, two and sometimes four men hold lives in their hands every day. They are the credit counselors who serve federal government employees ranging from Senator Estes Kefauver to any ward orderly at the Veterans Administration hospital.

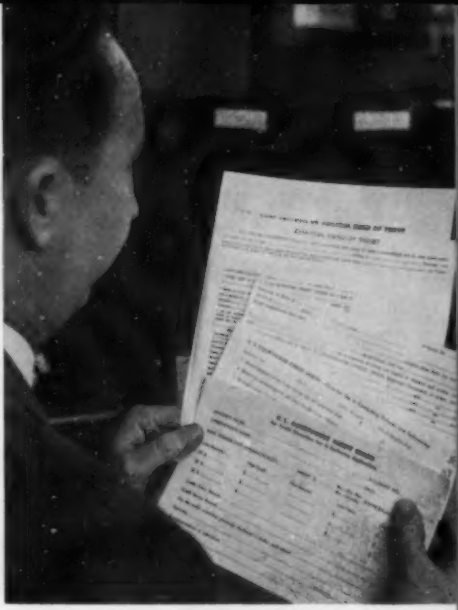
This two-million-dollar credit union has 3,812 members who have saved \$1,700,000 in their credit union. In eight years their credit union has loaned more than \$5,000,000. Credit counselling—how to save while you borrow, how to budget family expenses, how to avoid financial traps—has accompanied every loan.

In this state capital city, which revels in Civil War lore, the path to credit union service takes strange turns. It may lead down the degenerate, diseased way of an alcoholic, or down the pitiful path of the incompatible married couple. The credit counselor may go into the home of the chronically ill, or he may have to sit across the battered dining table of the couple who, try as they may, can't

Counselling means paperwork. Such forms as chattel deed of trust, loan application, general information for credit committee and a special form for computing loan rates and refinancing are included.

Counselling also means personal interviewing. Glass-partitioned booths give a measure of privacy. Sometimes counselors spend as much as two hours completing one interview. Immediate telephone contact also is important.

Managing Director Hampton Burkhalter believes that training good counselors is something like training dogs—young counselors learn best from older, more experienced counselors. Burkhalter has broken in at least four.



meet their obligations, not even to their credit union. When the credit union enters this struggle for its families' financial security, it runs headlong into the old axiom of all competition—you can't win 'em all.

Here is how one credit counselor recalls some of his work:

Mr. and Mrs. Frank Millen applied for a $2,000 loan on November 10, 1954. Their stated reason was to pay off several finance companies and other debts. Mrs. Millen worked for the government, and her husband worked downtown. She earned $258 a month; he earned $290, plus a yearly $500 bonus. Between them they had a credit union share balance of $5.02.

Their story was one of personal injury, sickness and death in the family, and they owed physicians, department store, service stations, some private individuals and a florist. As loan security they offered chattels on their 1950 Pontiac and on their household furniture. Their loan contract called for 24 monthly payments of $100 each, starting December 14.

Conflicting reports

This sounded like any other hardship case until the credit union, in one of its routine practices, got a report from the credit bureau. This showed the couple had two accounts out for collection, nine creditors reported them slow in repaying, another very slow and unsatisfactory and still another past due. Checking the couple's close friends, however, the credit union got only good reports.

By May, 1955, the couple had made no payments despite regular delinquency notices and telephone calls. The credit union turned its account over to its attorney for collection and expelled Mrs. Millen from membership, applying her $5.02 share balance to the loan balance.

The attorney got nowhere in his collection efforts, and finally asked the credit union to place the note in execution and to repossess the auto and furniture. Faced with repossession, Mrs. Millen asked the attorney to return her account to the credit union so that she could make payments there. But since she did not offer any immediate payment, this request was denied, and the woman began making irregular payments to the attorney. From June 1955 to November 1956 she reduced the loan from $2363.98 to $1813.40. Then she asked reinstatement in the credit union.

Before accepting the woman back, the credit union assigned a counselor to the case. In her home, the counselor asked: Why were you so badly overextended in the first place? Why did you fail to pay your credit union loan after all the other debts were consolidated?

Then Mrs. Millen admitted two things that even her friends didn't know: She and her husband were incompatible, and her husband was an alcoholic. Immediately the counselor made the woman see that her husband's alcoholism was truly a malady which had to be treated as an illness. She agreed to have the credit union help her arrange for her husband to be hospitalized.

When Millen was discharged, he got a job with a Nashville used car dealer. In a short time he became assistant manager, and also traded in his Pontiac for a newer car without additional debt for himself. Between them, the Millens are making monthly payments of $60 and have cut their credit union loan balance to $1,600. Mrs. Millen has assured her credit counselor that all is well again in her home.

Miss Mary Sue Kobell paid her 25-cent membership fee and bought one $5 share in the credit union March 10, 1953. Drawing a 5 percent dividend every year since, she now has a share balance of $5.94. Despite the fact that she has borrowed more than $2000 from the credit union, her credit counselor has never suggested that she build up her share savings. Here is why:

Miss Kobell, a Veterans Administration employee making $108 biweekly, had a personal health problem, one that lingered despite treatment. At best she can work four or five months, then miss work two or three months while she undergoes surgery and then is hospitalized.

Three months after she joined, she borrowed $225 from the credit union to pay medical bills. Since then she has submitted and gotten approval on nineteen applications for additional credit to pay medical expenses, dental bills and drug costs. At present she has four outstanding credit union loans for $468.45, $77.93, $71.33 and $113.84.

Good reputation

Merchants and friends regard her highly. She shares a furnished apartment with a relative and has little personal assets. Her credit bureau record shows that she is a bit slow in paying, but generally satisfactory.

The problem in Miss Kobell's case, to satisfy the credit committee, was to get adequate security for her loans. Because she is known to be of fine character, the credit union waived its rule against accommodation co-makers and allowed four of her doctors, one dentist, a relative and a friend to co-sign her notes. None of the co-makers are members of the credit union; some have a monetary interest in Miss Kobell's case, and others have only a personal interest.

One doctor assured the credit counselor that one important thing in Miss Kobell's eventual recovery was to relieve her of any undue anxiety over her finances. She has agreed to pay $45 out of each $108 paycheck, and is meeting her payments regularly. Her credit counselor has judiciously refrained from suggesting that she make any additions to her share account.

James P. Basti, a young single man and son of a government employee who belonged to the credit union, got a credit union loan to buy a small business which had not shown a profit for several months but which he was convinced he could turn into a paying proposition. Through checking Basti's credit bureau rating, the credit union satisfied itself of his character, but his business venture seemed all the more risky when a local bank and the Dun and Bradstreet office both said there was little chance that the business could survive. Basti, his mother and several friends, however, were convinced that Basti could make it pay.

The credit counselor satisfied himself that the business could be made a success and satisfied himself that Basti would repay the loan. So, accepting the store's inventory and fixtures as collateral and his mother's signature as a co-maker, the counselor recommended and the credit committee approved the $2,500 loan.

Six regular monthly payments of $102 followed. Then Basti asked and got $500 additional credit to pay current accounts. This raised his monthly payment to $103, which he met four months before asking for another $250 credit, again to pay current accounts. Six months later, after making regular $102 payments, he admitted that he was in trouble. Basti met with his credit counselor before he finally decided that it was to everyone's best interest that he get out of business for himself.

By liquidating his inventory and selling fixtures, he had enough cash to follow his credit counselor's suggestion to pay current accounts first. Then he had to consider his future. About the same time that he sold out, he had a chance to take a vacation out west. His counselor, without hesitation, recommended that he take the vacation, and the credit union advanced him another loan to pay for the vacation.

Starting fresh

Basti came back with a new drive, no longer a defeated businessman. He soon got a responsible job with a downtown store, and he began making small and irregular payments on his credit union loan.

Last July Basti's credit union account was put on a current basis by a loan repayment extension that cut his monthly payments to $40. He has made every payment on schedule and has now cut his loan balance to $2368.69.

The counselor says, "Basti's business didn't fail because he lacked character but because he may have lacked business acumen. In any event, the credit union helped give him an opportunity to realize a longtime ambition. Only James knows what the experience was worth, but he is happy on his new job and the credit union is being paid." Basti is on his feet.

One final story, about John R. Wint, and his wife, has an unhappy ending, but maybe the ending isn't final. Their credit union story started November 23, 1954, when he, a Vanderbilt University hospital research assistant, and she, a government employee, told of being overextended because of heavy medical expenses.

They listed twenty-four creditors and total obligations of $2,036.26 including a finance company loan of $792 secured by their household furniture. Their biggest debts were to doctors; outside of doctors they owed only $600.

The credit counselor suggested that Wint and his wife consolidate all except the finance company loan into a credit union loan. The credit union then made the couple a $600 signature loan to cover the debts other than to doctors, and entered co-maker agreements with each of the doctors for loans equal to the amount owed each. The note called for 14 monthly payments of $87.

The couple defaulted on the first payment, but agreed to make one month's interest payment. Similar extensions were granted for the next three months, but after this the couple skipped their payments entirely for three months. Starting in October 1955 they made partial payments until March 1956, during which time Wint had changed jobs at least twice.

On March 21, 1956, the payments were reduced from $87 monthly to $40, and the Wints met this schedule for three months before falling back on their habit of partial payments. His last payment, $40.50, was received

November 1, 1956. Then nothing.

On July 29, 1957, the couple were expelled from credit union membership. Their share balance, $10.85, was applied to the loan account. At the present the couples owes the credit union $338.57, including about $200 interest on the original loans. The physicians who signed as co-makers have been called upon to pay the balance due on the notes which they have signed, and they are making the loans good.

More counselling needed

The couple is now estranged. The credit union stands to lose $140 in actual capital if nothing further is paid on the signature loan. As his credit counselor says, "If Wint had been able to hold a regular job, there is no doubt that he would have paid the obligation in full. Obviously Wint needed more than credit counseling. He seemed to be the kind of man who never would settle down at one job. But there was a reasonable chance that the purpose of his loan would be accomplished. Undoubtedly, if Wint put in an appearance at the credit union tomorrow, we would sit down and discuss his situation. At this time the credit union would not extend additional credit, but it certainly would be sympathetic in an effort to permit him to make payment of the balance due. If he applied for reinstatement into membership in the credit union, that application would undoubtedly be accepted, if it was accompanied by showing of good faith on his part."

So these are some problems that a credit counselor faces. He must be prepared to take success without thanks and to suffer defeat without apologies. What, then, are some characteristics of a successful credit counselor? Here are some ideas from Hampton Burkhalter, the U. S. Courthouse Credit Union managing director and treasurer who has done and still does a good bit of counseling and who has trained several young men to counsel in his credit union.

"First the counselor must remember," Burkhalter says, "that the basic purpose of our credit union is to help our members live as happily as possible. If the counselor feels that extension of credit will make the member happy and will stand a reasonable chance of being repaid, we expect him to recommend that the credit committee approve the loan application.

"From the first our credit committee has played the role of a policy-making committee and has seldom attempted to interview loan applicants. That is why we put so much emphasis on the credit counselors. And our credit committee endeavors to approve as many applications as possible. This has been described as a liberal lending policy. During our eight years of operation, when we have loaned more than $5,000,000, approximately $35,000 has been transferred from net earnings to our guaranty fund. Approximately $15,000 in uncollectable loans has been charged against this fund, leaving slightly better than $20,000 in the guaranty fund now. But we estimate that on these same uncollectable loans the credit union has increased its interest income by no less than $60,000. Since we have incurred a loss of $15,000, it is naturally concluded that we have profited by $45,000 on these loans, plus the satisfaction of extending credit for provident and productive purposes to any number of members who might not have been served had our credit committee followed a conservative lending policy."

Starts at beginning

Counseling at U.S. Courthouse Credit Union begins when the member pays his 25-cent membership fee and buys his first share. A credit counselor is asked to interview the new member whether he is seeking credit or not. The counselor tries to determine the primary purposes for which the member will use the credit union and to furnish the new member with information concerning the credit union's services. U.S. Courthouse Credit Union has found that few, if any, new members already know what credit union membership benefits really are. "The most important thing we try to find out through the credit counselors or other staff members," Burkhalter says, "is what does the member want and when does he want it. Then we try to meet his desires."

A credit counselor may be either male or female, Burkhalter says, though all the U.S. Courthouse Credit Union counselors so far have been men. "The main thing we look for in a new employee is a person who we feel is competent to handle any job in the credit union, including mine. When we are considering persons for employment, we encourage them to visit the credit union and to establish a personal relation with present employees."

New employees, then, must understand the credit union's entire operations and policies as fully as possible. How is this accomplished?

This fall Burkhalter hired two new credit counselors and an accounts clerk. They were three young men, all native Tennesseans and all with college training. One had been a high school coach, one a Baptist minister and one was just out of college.

For one week Burkhalter and the three new men did nothing but go over a credit union study course that Burkhalter had prepared. (See reproduction of study course elsewhere in this article.) First the new men digested the idea of a credit union; then they learned about U.S. Courthouse Credit Union.

Following this week of study, Burkhalter and the three new men visited two Nashville banks and a finance company. They inspected the bookkeeping, cashiering, consumer loan and electronic machine departments and talked with bank and finance company officers about their work.

The credit counselors were told that their primary job was to help the members use their incomes and their credit more sensibly and intelligently. They were told that they should be prepared to help all members, even those that are able to manage their income well. "The credit counselor is not conceived," Burkhalter says, "as an employee who will serve only the approximately 5 per cent of our members who use their income and credit improvidently. We feel that our counselors are as valuable, if not more valuable, to the other 95 percent who always repay every contract as agreed."

Face to face

Counseling is done principally face-to-face, and each member is encouraged to have one credit counselor handle all his questions. Counseling also is done by telephone and by mail, and about 25 percent of U.S. Courthouse Credit Union's loan applications are received by mail. The credit union furnishes self-addressed stamped envelopes. Also the credit union accepts collect long distance

Counselling means taking the credit union to the members. These employees at the VA Hospital have daily contact with credit union staff.

telephone calls as a service to members who may have been transferred from Nashville by the government. Loans or share withdrawals are also wired overseas, with the member bearing the telegraph cost.

Through an excellent monthly newspaper, through quarterly leaflets and through posters scattered around the federal offices, the credit union advertises that credit is always available. This is more than a half-felt boast because the U.S. Courthouse Credit Union, as explained, has a liberal lending policy. There is no such thing as thirty-six months for a new car or twenty-four months for a used car. The member's need is the guide. On occasion, the credit union has loaned 105 percent of a car's purchase price because a trade-in car's value didn't cover the loan balance. There are no limitations on loan terms, on amount of loans to one member or to number of loans that one member may have.

Not only is credit union membership extended to wives, husbands and children of federal employees but also to parents of federal employees; and loans are made to family members although these are not particularly encouraged.

The history of credit counseling at U.S. Courthouse Credit Union goes back to 1951 when the credit union was two years old. In those first two years, a part-time treasurer had devoted one hour a day to credit union work, and on loan applications he was simply an interviewer and a form-filler-outer. The board noticed, in 1951, that many members who applied for arbitrary amounts of credit or for the $300 personal loan maximum actually needed more credit.

It was agreed that each of four credit union officers would specialize in one field of credit and would handle all loans in these fields: personal loans, automobile or chattel lien loans, loans to buy shares and home improvement loans. These volunteer loan specialties were publicized through the credit union newspaper, and members began using these officers during regular working hours. All this time the credit committee had been a policy-making body which laid down general rules for the granting of loans, and its members did practically no loan interviewing. Under this volunteer specialty system, however, there was a lack of continuity, which the board finally agreed could be solved only by hiring a fulltime employee.

Burkhalter was a former attorney and Federal Bureau of Investigation special agent who knew the courthouse inside-out. Prematurely gray, stocky, quick with names and a constant credit union promoter, Burkhalter pulled the loose ends together,

(*Continued on page* 28)

OUTLINE OF STUDY COURSE FOR CREDIT COUNSELORS

I. CREDIT UNIONS
- A. Idea
- B. Law
- C. League
- D. National association
  - 1. Cuna Supply
  - 2. Cuna Mutual
  - 3. Auto Insurance

II. OUR CREDIT UNION
- A. Charter
- B. By-laws
- C. Organization
  - 1. Members—annual meetings
  - 2. Officers—minutes and reports
  - 3. Office staff:
    - a. Positions, duties
    - b. Records, reports
    - c. Relationships
    - d. Routines, procedures
      - (1) Job descriptions
      - (2) Standard operating procedures
      - (3) Staff conference reports
      - (4) League manual
      - (5) Individual employee' discretion

III. COMMUNICATION WITHIN THE CREDIT UNION
- A. Members to officers and committees
- B. Members to members and potential members
- C. Officers and committees to staff
- D. Staff to members and potential members (and vice-versa)
  - 1. Personal contacts—in office and out
  - 2. Telephone calls—to and from
  - 3. Letters—to and from
  - 4. Monthly news magazine
  - 5. Pamphlets

IV. PURPOSES OF CREDIT UNIONS
- A. Promote Thrift
  - 1. Convenience
  - 2. Dividend
  - 3. Life insurance
  - 4. Security — through safeguards and democratic control
- B. Provide Credit
  - 1. Availability
  - 2. Convenience
  - 3. Reasonable rate of interest
  - 4. Security—through loan insurance and counselling service
- C. Other Services
  - 1. Auto insurance
  - 2. Miscellaneous

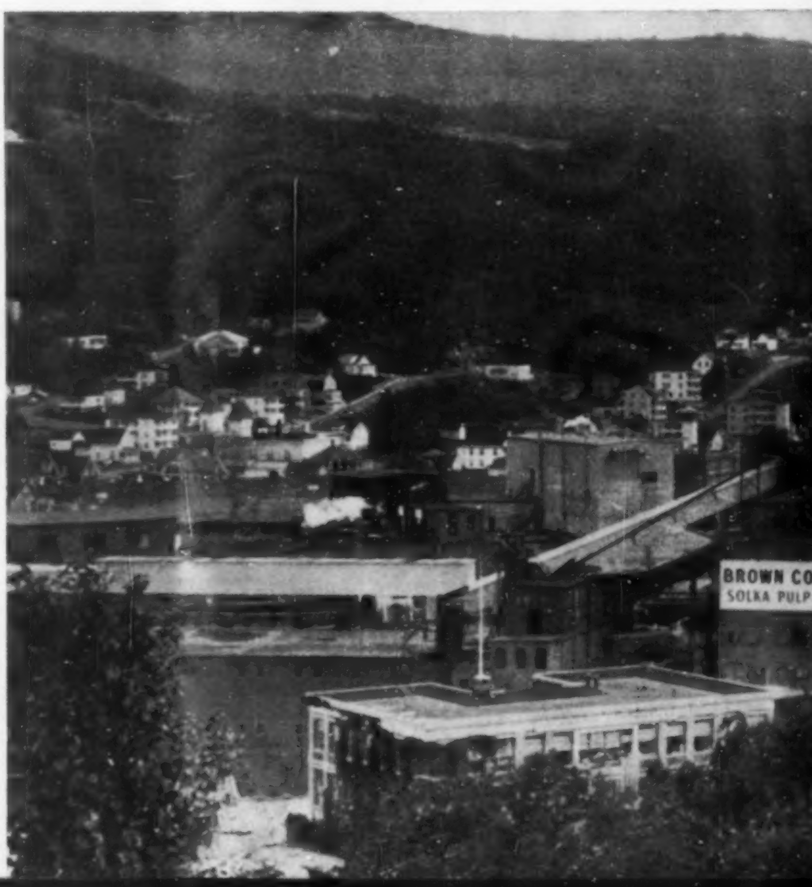
BUILDING SAVINGS

NINETY PERCENT OF THE MEMBERS OF THIS NEW HAMPSHIRE CREDIT UNION ARE SAVING REGULARLY, AND THE AVERAGE IS HIGH

THE enthusiasm of a group of New Hampshire papermakers for convenient saving is building up United Brotherhood Credit Union at a swift pace. The pace has been helped along by the realization that this credit union is part of a movement in which you can find genuine mutual support. The members learned this while suspended over the brink of a strike.

United Brotherhood Credit Union is located in Berlin, New Hampshire, a paper manufacturing town on the banks of the Androscoggin River. North of the state's highest mountains, Berlin is located in the southern fringes of the great forest area that spreads up into the St. Lawrence Valley. Most of the year there are enough logs in the Androscoggin so that a small animal can cross without getting wet. There is a chemical smell in the air that any papermill employee knows better than the aroma of coffee and bacon.

The credit union was organized in 1956. In December, 1957, seventeen



Most members of United Brotherhood Credit Union work for Brown Company, principal employer in Berlin, New Hampshire. Brown is one of the largest pulp and paper manufacturers in the East.

months after organization, it had 1600 members and $160,000 in shares. Ninety percent of its capital was out on loan to 700 borrowers. And growth was coming so fast that the directors were watching it warily. Already, they had had to close down the credit union once for a few days in order to convert to machine bookkeeping. Growing pains may strike again, but nobody's worried.

United Brotherhood has a membership potential of about six thousand. This includes 4,000 members of Local 75 of the International Brotherhood of Pulp, Sulphite and Papermill Workers of America (AFL-CIO), most of whom work for the Brown Paper Company. Also eligible are approximately a thousand office and salaried employees of Brown, employees of the union, and immediate families. New members are coming in at a rate of forty or fifty a month, and more than 95 percent are signing up for payroll deduction.

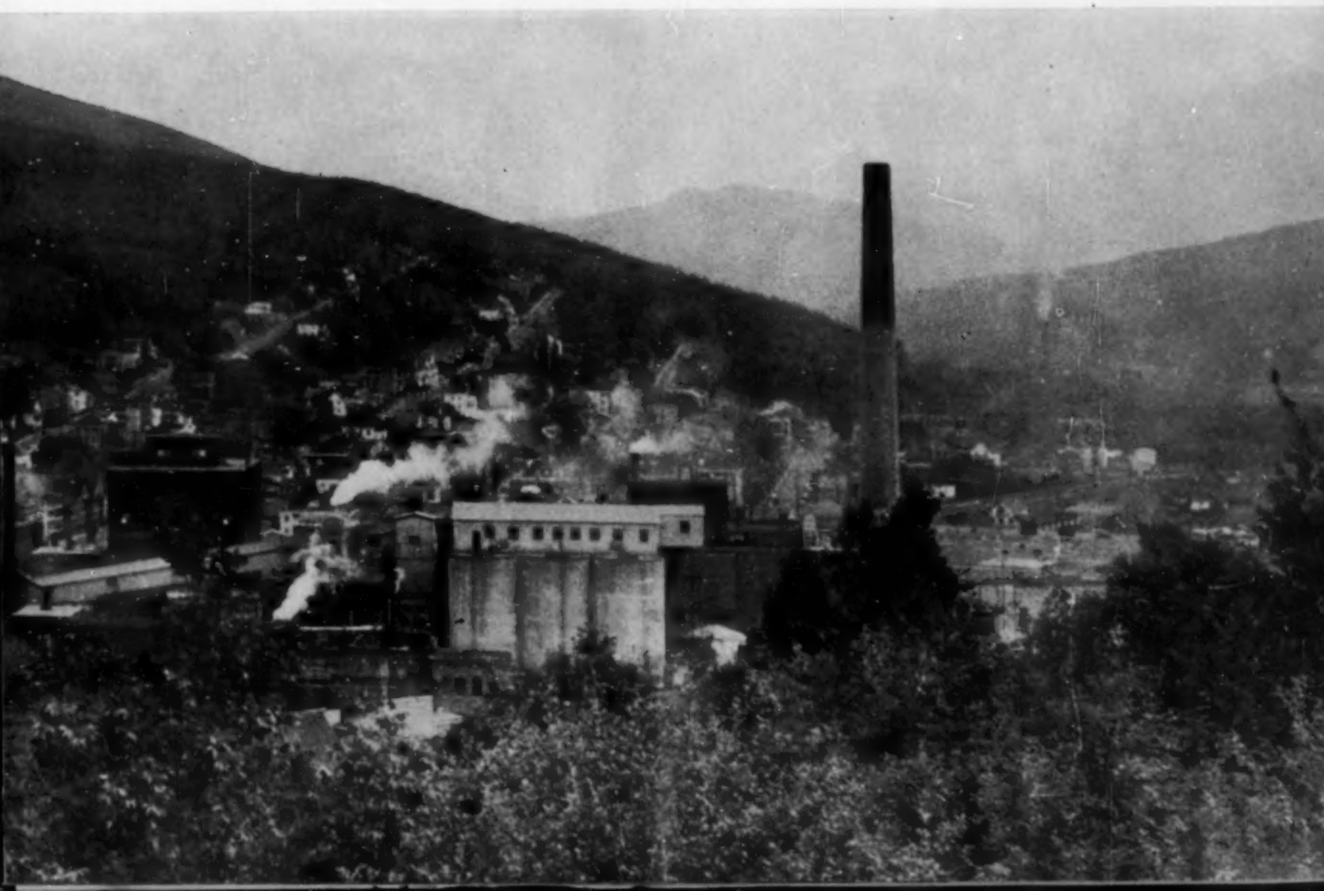
"Making it convenient for the member to save is half the battle," says Sherman Twitchell, who has been president of the credit union from the start. "Only a few of our members were systematic savers before joining. Most had thought or talked about saving at one time or another. But they lacked the encouragement or opportunity to make savings a regular habit. We provide both the encouragement and the opportunity. Once our members try saving regularly, they find it's easy. Most start out on a small scale—the average for the beginners is around two dollars from each pay check. When the member gets his quarterly statement and sees how his savings are growing, he's impresseed and pleased. He would like to see his savings climbing up faster, so he kicks it up a bit. Soon he's saving three or even five dollars a week. As a matter of fact, our members are now such enthusiastic savers that they are averaging five dollars a week per member."

"Our community has been waiting for this kind of service for years," says Philip Perreault, chairman of the supervisory committee.

Relations are good between the credit union, the union and the company. The union provides office space. The company provides payroll deduction. Both union and company are deeply impressed with benefits of credit union membership on the employees and the community.

Brown Paper Company is the principal employer in this town of 16,000. The pulp and paper manufacturing facilities extend some five miles along the river banks. At first payroll deduction was made available only to the four thousand hourly workers who are members of Local 75, but it has subsequently been extended to the thousand salaried employees. It's used both for savings and for loan payments.

From week to week, on an average, for each member who withdraws from his share account there are four others who add to theirs. Brown Company uses its IBM system for all



payroll deductions and authorization changes. This substantially reduces the cost of the service. Says one Brown Company staff member, "The expense involved is really so small it's hardly worth mentioning."

President Twitchell says there is no doubt that payroll deduction is the principal factor in the credit union's growth. "Without this courtesy from the company, our members' savings would be only a fraction of the $160,000 they have saved. Beyond that, the well-being of the community is served by this joint effort of the credit union and the company. New reserves and resources are being created that help make Berlin prosperous."

Union ties close

The tie with the union has been strong from the beginning. Among those who helped get the credit union started was William Brideau, a Brown employee for twenty-three years and president of the local since 1955. Three of the officers of the credit union, including treasurer Willie Arguin, are also members of the executive committee of the local. Since 1956, the contract between Local 75 and Brown Paper Company has provided that any credit union officer who is appointed to a full-time credit union position, shall be granted leave of absence for as long as necessary, without loss of seniority, pension rights or other employee benefits.

Last June the members faced a serious strike threat. The contract between the company and Local 75 was about to run out. The directors of the credit union were greatly concerned: how much money would the members withdraw? What kind of loan demand would develop? How could the delinquency problem be handled?

Twitchell got in touch with Perne R. Hutchinson, managing director of the New Hampshire Credit Union League, and explained the situation. Hutchinson promised quick action. He called a number of credit unions and located several that agreed to make money available if United Brotherhood should be caught short. Among them were Manchester Municipal Employees Credit Union and East Hartford Aircraft Federal Credit Union, with assets far surpassing anything United might need. The fear of a strike was much reduced.

Two days before the contract was to expire, United Brotherhood Credit Union called a special membership meeting. Two hundred members, more or less, showed up. At the meeting the board of directors announced that all interest payments would be suspended in the event of a strike, and members would be able to borrow against their shares. This announcement reassured the members tremendously and calmed down those who had planned to rush in and withdraw all their savings.

Threat brought good

As it happened, there was no strike. The issues were settled eight hours before the deadline. But the strike threat had an excellent effect on the credit union:

- The members had new confidence in the credit union. They felt assured it was something they could rely on in an emergency.
- The number of applications for membership rose to a new high.
- The board of directors had new confidence in the organized credit union movement. They were deeply impressed by the fact that other credit unions stood ready to back

them up in case of a strike emergency.

Three months after organization United Brotherhood Credit Union hired its first full-time employee. Now it has two. Treasurer Willie Arguin, a recovery boiler operator, is a part-time employee and gets a token salary.

Education of the members in this credit union is in the hands of a permanent publicity and membership committee. The twenty-six members of this committee cover all the different Brown Company mills and offices.

Most of the educational work is done by word of mouth. But three forms of written publicity are also used:

1. The monthly publication of Local 75 is always open to the credit union. Usually the credit union's educational material takes up two columns in this eight-page paper.

New drive scheduled

2. Bulletin boards in the Brown Company's plants are provided for the labor union's use. These are also open to the credit union.

3. The quarterly statement that the credit union sends to its members also provides a good opportunity for transmitting educational materials.

"We plan an intensive campaign this winter," says president Twitchell, a forty-two-year-old raw stock foreman and former scoutmaster. "We will be campaigning for new members, and we are also going to try to give our older members a clearer understanding of the credit union and its benefits. A large part of our campaign will be directed toward the salaried employees, of whom only a small percentage have joined so far. We will use plenty of personal contact, but we will also use mailings, and we hope to get some help from the office workers' union.

"If we are as successful in this as we were last year, we may have another attack of growing pains. But it won't trouble us long. This year we cured our growing pains by installing machine posting. Next year's problems may be solved by getting additional office space. We may have to put up our own building. If that's what we need, I feel sure the company will sell us land and lumber."

Even for thrifty New England, this credit union is setting a pretty fast pace. The officers of United Brotherhood can crow a bit.

Sherman Twitchell, president of United Brotherhood Credit Union, and treasurer Willie Arguin are long-time Brown Company employees. Twitchell is a former scoutmaster. Arguin takes an active part in labor union activities. Brown Company's manufacturing facilities extend over some five miles along the banks of the Androscoggin River.

IS TWO THOUSAND DOLLARS

ONE CREDIT UNION LEADER OBJECTS TO THE NEW CEILING ON LIFE SAVINGS INSURANCE. OTHERS DISAGREE. HERE ARE THEIR ARGUMENTS.

The life savings limits

To the Editor:

Realizing that the policy setting for CUNA Mutual is up to the directors of CUNA Mutual, I write my thoughts concerning the recent life savings insurance limits.

I am concerned over the lack of discussion, the lack of presentation of divergent views—a complete failure to present a yardstick by which directors may measure the fairness of such an increase in their own credit union. I believe that these directors must justify their action in either raising, or failing to raise, the limits wth concrete facts. We here were faced with the decision, and we met it by surveying the credit union.

In determining whether or not the limits should be increased, only one criterion guided the directors—the best interests of the majority of the members. Our staff audited every savings account. From this audit we arrived at the actual ratios of the benefits, impact, and cost of the two plans. We found the following facts:

631 members $ 0 to $ 50
263 members 50 to 100
304 members 100 to 300
105 members 300 to 500
157 members 500 to 1000

1,460 members had savings of $231,651.

83 members $1,000 to $1,500
25 members 1,500 to 2,000
22 members 2,000 and over

130 members had savings of $204,510.

Under the $1,000 plan, 1,586 members have $368,560 coverage, costing $239.62; and 130 members have $120,000 coverage, costing $78. Or, under the $1,000 plan, 33 percent of the insurance cost benefits only 8 percent of the membership.

Under the $2,000 plan, 130 would receive up to $2,000 coverage with no increase of benefits for 92 percent of the membership, creating an increasing disparity between the benefits of minority and majority for the money expended.

Every group of directors owes its members a careful analysis of benefit spread and coverage cost. Deliberate increase of benefits for the minority at the expense of the majority is contrary to the concept of the movement. A wide, careful discussion of the question is now long overdue.

Alfred E. Tong
Plainville, Conn.

Explaining the $2,000 decision

We shall be glad to tell you why we increased our life savings insurance from the $1,000 maximum to the $2,000 limit and how we arrived at this decision. We shall also attempt to answer your questions pertaining to effect on increasing shares which indicates your apprehension of decreased dividends and what per cent of our membership benefits from the increased coverage.

It might be well to state at the beginning that our decision was based more on credit union philosophy than on mathematical results. To help you understand our thinking we shall tell you something of the history and the experience of our credit union.

Primarily, we organized *only* to encourage thrift and to provide a source of loans at reasonable rates for employees of The Texas & Pacific Railway Company and subsidiaries in our vicinity. These are the only two purposes which justify our existence, and our board carefully examines every decision to see if the proposed action would help promote these ideals.

When our credit union was young, we followed the pattern followed by most young credit unions who suddenly find on their shoulders the

	April 30, 1957	*August 31, 1957*	*Increase*
Members with $1,000 or more	249	275	26
Shares balance	$654,160.23	$705,173.31	$51,013.08
Loans balance	596,269.60	660,369.42	64,099.82
Life Savings premiums	287.09	376.43	89.34
Number of members	1844	1867	23

TOO HIGH?

heavy responsibility of protecting money belonging to others. This feeling of responsibility and the lack of experience caused us to make several short-sighted decisions, but I am happy to report that we have been wise enough to correct these decisions through the years, and we are now coming closer to fulfilling our original purposes than ever before.

The short-sighted decisions of which I speak were these: placing a low share limit on individual member accounts; placing too much emphasis on high dividends; and failure to provide all the services to which our members were entitled. Let's examine these one by one.

First: There is no reason or justification for a low share limit during such prosperous times. Since one of our basic purposes is to encourage thrift, we should not set a limit on shares but we should encourage thrift at all levels. Because a member has been thrifty enough to accumulate a sizeable sum, we should not say to him that thrift is only for the poor and refuse to accept his deposits. The only thing worse than this would be to say to the thrifty that we would not accept their shares unless they agree to borrow from our credit union. These actions not only violate our basic philosophy; actual experience has shown us they are not best for our credit union. We have learned that heavy depositors develop keen interest in our organization naturally

(*Continued on page* 26)

FROM THE MANAGING DIRECTOR:

The Penalties of Growth

LAST YEAR, according to the latest Federal Reserve figures, personal loans increased about 12 percent during the first ten months. The credit union share of the consumer credit outstanding reached 15 percent, says the Federal Reserve Board, compared with 12 percent in 1951.

There were more than 1,110 new credit unions chartered in the North America, according to our latest figures, bringing the total up to 23,500 plus.

Figures on savings published by the Federal Home Loan Bank Board show the credit union position in this field slowly improving. Credit unions in the United States attracted $286,000,000 in shares during the first half of 1957, which is better growth than in either half of 1956.

Personal loans up

Meanwhile, interesting things are happening in consumer credit generally. Personal loan growth was greater than any other type of consumer credit, although auto loans also gained.

Changing conditions in the automobile business show up in two Federal Reserve figures: the average new car loan has grown remarkably and the percentage of new cars sold on credit has been dropping off lately.

New car loans averaged about $1800 in 1953, but 1957 they were averaging $2600. At the same time, the percentage of new cars bought with some use of credit rose to 69 percent in 1956 but has since fallen to 65 percent.

Terms on auto loans are not being extended beyond 36 months, but many more new car loans are now being written for that period.

All these facts show two things that concern us very much:

No hiding place

Credit unions have grown to a point where they are conspicuous.

Also, competition is getting tougher among the commercial lenders.

This is enough to explain why more and more articles and editorials are appearing in financial papers raising doubts about credit unions. Just as an influential New York banker is now leading an attack on mutual savings banks, and just as other bankers are attacking savings and loan associations, credit unions are being attacked.

About all they can think of to say against credit unions is that we have served our purpose. Loan sharks no longer exist, according to some of these people, so credit unions are no longer needed.

It's a pretty weak argument, and I don't see any reason to fear it, but I think we should expect to hear it a lot from now on, get used to it, and be ready to answer it. H. Vance Austin

THIS SMALL NEW YORK COLLEGE
IS WORKING OUT A PLAN FOR STUDENT LOANS
THAT TIES IN LIFE SAVINGS INSURANCE
FOR MAXIMUM PROTECTION

A LOAN

WITHOUT knocking the monkey of college education costs completely off a parent's back, a plan being developed by Manhattan College Federal Credit Union in New York City at least redistributes part of the load.

Utilizing a credit union loan, share savings account and both life savings and loan protection insurance, the plan will insure four years of college tuition at a net cost of about $100 in interest payments.

Credit union officers hope to start the plan in operation this fall. College officials have asked the credit union to prepare a circular advertising the new loan plan.

Four-year tuition costs at this Catholic men's school are figured about $3,200, or $400 for each of the eight semesters. Under the credit union plan, the beginning freshman's father would borrow $1,800 and immediately pay $400 for the first semester. The remaining $1,400 would go into a share savings account where, with life savings insurance, it would be doubled to $2,800 in event of the father's death. This $2,800 turns out to be the cost of the remaining 3½ years of education, on the basis of $400 per semester.

At the start of the second semester, the father pays another $400 tuition from his share savings account. Then he borrows another $200, bringing his loan balance to $1,200. This, doubled with life savings insurance, climbs to $2,400 which is exactly the cost of the three remaining years of tuition.

This is how it looks in chart form:

Semester Begins	Borrows	Tuition Paid	Share Balance	Insured Tuition
Sept. 1958	$1,800	$400	$1,400	$2,800
Feb. 1959	200	400	1,200	2,400
Sept. 1959	200	400	1,000	2,000
Feb. 1960	200	400	800	1,600
Sept. 1960	200	400	600	1,200
Feb. 1961	200	400	400	800
Sept. 1961	200	400	200	400
Feb. 1962	200	400		

PLAN FOR STUDENTS

The big problem, so far as Manhattan College Federal Credit Union was concerned, was to set interest rates and dividend rates which would hold the net cost low. Since this credit union, though four years old, is still small (assets about $30,000) it uses only volunteer help. This, plus a rent-free office, keeps overhead down. Thus they were able to set an interest rate of ½ of 1 percent per month on the unpaid balance on the loan, plan on a 4 percent dividend on shares and wind up this way: The loan interest will total $190 over a four-year period; dividends returned will total $86, leaving a net cost of the plan about $100.

College education, with its staggering costs packed into four years, usually is paid for once or, at most, twice a year. Instead of forcing the parent to pay four or eight gargantuan bills, the insured tuition plan breaks it down into forty-eight monthly payments of about $70 each. Thus the big monkey becomes a bunch of little monkeys.

West of Broadway

Located just west of Broadway about a forty-five-minute subway ride from midtown Manhattan, this college attracts 2,400 commuting students and 300 boarding students annually. These are young men from middle-income families. Most of them work during the school year. The college offers bachelor's degrees in three schools—engineering, business and arts and sciences.

Success with the insured tuition plan is essential to Manhattan College Federal Credit Union, because with it will come growth and chance for starting a scholarship plan whereby the credit union would pay a student's way and the student would work for the credit union. Because of constant student turnover, the credit union has had a hard time keeping trained student volunteers on the job. As James H. Cahill, the credit union president and an associate professor of economics, put it, "The student does not seem to find the credit union as an outlet for his energy until his second year. And in his senior year he is apt to have too many things on his mind. Thus his maximum usefulness is limited to one year—one year to learn and one year to work."

The idea of a credit union at Manhattan College came from the dean of student personnel, John Cassa. He first asked some faculty members whether they thought a credit union was practical.

"Not without students, because the number of interested faculty members is too small to justify it," they answered.

Then Cassa posed another question: "Should there be a credit union only for students?"

The faculty members answered, "Not without the faculty, who would provide the capital and experience."

As it has worked out, the faculty has provided most of the savings and the students have provided the borrowing demand. A table accompanying this story shows that nearly one-half of the credit union's loans help pay for education. Even some of the other loan purposes are related to student education, such as a car which provides transportation between home and school or for personal and family expenses which must be met to keep the student in school.

Students outnumber faculty

Another accompanying table shows that students account for almost 70 percent of total membership but their total shareholding in the credit union is less than 30 percent of the total accounts.

A credit union combining student and faculty members has proven to be at once a stimulant for one group and a restrictor for the other. Where the students would be liberal and sometimes hasty, the faculty would be conservative and slow. By treating the groups as equals, the credit union has injected caution into the students and enthusiasm into the faculty.

The credit union's first two years were outstandingly good. Too good to be true, in fact. The students who accepted the first responsibilities and who helped bring it to life soon graduated. No one was left with credit union experience except a few faculty members. As more and more load fell on them, they considered liquidation. Delinquencies went uncontrolled and the education committee stopped working.

Student-faculty interplay

The old action and reaction principle rejuvenated the credit union. As a new group of students became interested, their vigor and interest pepped up the professors and carried the day. Credit union officers admit that this student turnover problem is one that can never be completely solved, but the credit union believes that by offering four scholarships and having four student employees, one in each graduating class, experience will be continuous.

At another point there was some consideration of liquidating the credit union. The credit union had had a small office of its own, open from noon until 1:30 p.m. daily. Usually it was impossible to find one student who could stay during the complete time. Because several persons were handling one cash box, the federal examiner asked the credit union to set up separate cash boxes for each teller. The credit union board felt that this was impossible, and they considered abandoning the credit union. However, they solved

College libraries lead to fascinating worlds, but they don't shut out the harsh facts of student financial problems.

Special by-laws call for faculty members to be chairmen of supervisory and credit committees. Robert Barry heads the credit committee.

the problem by establishing one half-hour office hour daily, a short enough time for only one person to work each day. This slowed the credit union's growth somewhat, but student workers have simply packed their credit union bookkeeping and record reporting into their between-class free time.

Since one reason for the credit union was to give students business experience, every effort was made to create student responsibility while keeping faculty members in key positions for continuity and guidance. Both the credit and supervisory committees have one faculty member and two students. In organizing the board, one problem was the peculiarity of the college day and year, with class-to-class movements and summer vacations to be considered. Thus the board is made up of two faculty members, one librarian, the college bookstore manager, an administration secretary and four students. Cahill has been president since inception; the college secretary has been vice president and the bookstore manager has been assistant treasurer. Students have always been elected as credit union secretary and treasurer.

The first major hurdle that Manhattan College Federal Credit Union had to jump was field of membership. Originally it served students, their families, faculty and families and college administrative staff. Soon there was a request to open the credit union to maintenance and commissary employees and to alumni. Since the credit union's main reason for being was to furnish funds for student education loans, the officers welcomed any potential source of savings.

Alumni excluded

The Bureau of Federal Credit Unions recognized maintenance and commissary employees as legitimate members, but denied the expansion to include alumni. At that time the credit union board felt this was a mistake, because they looked on alumni as a source of capital. The Bureau pointed out that alumni would probably be borrowers as well and that loans to alumni would create collection problems.

In four years the credit union, with a potential membership of 3,000, has had about 1,000 members but never more than 450 at a time. College life brings to the credit union a definite seasonal pattern. Savings grow in August, September and October as students deposit money earned in summer jobs. By spring, loan demand increases so much that the credit union customarily has to borrow money to meet loan demands at the shag end of the school year. Christmas, Easter and graduation in May and January also bring borrowing peaks. The pattern is firm.

The faculty credit union board members realized early that the credit union could be criticized harshly if it loaned to students beyond their ability to repay. To avoid this, some special bylaws were established. They provide four things:

1. The chairman of the credit committee must be from the faculty or administrative staff.

2. All loans to minors must have a co-maker, preferably the borrower's parent.

3. Where parent co-makers are not available, loans to students are made only for tuition and the student must have steady income or a co-maker over twenty-one as loan security.

4. A student over twenty-one but having no income of his own must have a parent as a co-maker.

This involvement of parents has a continuing benefit for the credit union. Even after the student graduates, the parent may continue his own share savings program indefinitely. Also the parent may continue any loan obligations as originally contracted. Graduating students also may leave savings in shares and may continue to borrow up to their share limit.

Another student loan problem involves married students. The credit union requires both husband and wife signatures before lending to a married student for any purpose.

An economics professor has served as president since the beginning. He had the headache of working out proper interest rates.

Student incomes which are used as loan security come from part-time and temporary jobs, government checks, allowances from parents and tax refunds. Since students have little financial history and rarely have a credit rating for check, student loans must be truly character loans. Students near graduation may have promise of well-paying jobs from which they expect to pay credit union loans. But graduation may quickly bring marriage or a new car or other unexpected expense. This tendency for the departing student to disregard his credit union loan led to trouble in 1955 when several of the faculty who had kept close touch with potential delinquents left town simultaneously for the summer. The resulting delinquent loan stockpile took two years to dispose of.

Now, through the use of a teacher's roll book and a simple slant line and X-mark system, delinquencies are checked week by week. The day that a payment fails to come in, a form letter of reminder goes out. Partially through this and partially through a hard-working delinquent loan committee which cleaned up the 1955 surplus, charged-off loans have been held to eight, three to employees other than faculty, the rest to students who left without graduating.

A college year with its interruptions and a business year dictated by federal credit union law run into constant clashes. One is the summer vacation; though college life slows and most student credit union members leave, collections must keep going, delinquency notices have to be mailed and savings have to be accepted. So far this has been handled, both during summer and during Christmas and Easter holidays, by the bookstore manager, Frank Newman. Also there is the problem of year-end accounting. Though December is the month when federal credit union books must close, it is also the month of heavy student part-time employment and vacations. This makes preparing an annual meeting and annual statement in January difficult. Manhattan College Federal Credit Union asked to delay its annual meetings until February, but this was denied.

The big project now for Manhattan College Federal Credit Union is to get the insured tuition plan into full operation and to realize immediate share capital growth and loan demand from it. Though the proposed ½ of 1 percent interest charge and the 4 percent dividend will leave little room for income, the credit union hopes to secure enough income to begin its scholarship program. Then it will have achieved a full cycle of student education help by providing loans for education, a means of saving for future education and a place of employment for students working their way through.

TABLE I

DISTRIBUTION OF MEMBERSHIP AND THEIR SHARE HOLDINGS IN DOLLARS PERCENTAGES

Category	# of Accounts	% of Total	$ Value of Accts.	% of Total
Faculty	47	10.0	6,804	31.5
Clubs, etc.	18	3.8	4,265	19.7
Commissionary & Maintenance*	9	1.9	1,423	6.6
Alumni**	89	18.8	2,819	13.0
Secretarial & Clerical	12	2.5	1,074	4.9
Students	298	63.0	5,231	24.2
TOTALS	473	100	21,616	100
Accounts over $100				
Students	7	1.5	1,815	8.4
Others	30	6.3	14,016	64.9
TOTALS	37	7.8	15,831	73.3

* One account over $1,000, one of $350.

** Students who have graduated may still keep deposits but not borrow beyond shares. 5 accounts over $100, one over $1,000 and 66 under $10.

TABLE II

DISTRIBUTION OF LOANS BY PURPOSE FOR WHICH LOAN WAS GRANTED

	Total loans to June 30, '56	%	Year ending June 30, '57	Total	%
Tuition & Books	$ 70,948	47.1	21,200	64,500	46.8
Automobiles & Motorcycles	23,153	15.4	5,400	21,300	15.4
Personal	22,551	15.	6,600	20,610	15.0
Family	14,583	9.7	3,700	13,500	9.7
Engagement Rings & Weddings	7,668	5.1	1,250	6,975	5.1
Medical & Dental	4,510	3.0	1,775	4,300	3.0
Christmas Expenses	2,706	1.8	775	2,435	1.8
Vacations	1,954	1.3	300	1,760	1.3
Business Ventures	900	.6		900	.7
College Dances	902	.5	350	770	.6
College Rings	650	.4	150	650	.5
TOTAL	150,345	100.	45,510	137,700	100.

TABLE II shows the distribution of loans by purpose to which the borrowers put the money. It can be seen from this table that 47.1% of the loans have been for education, however, it might be noted that many other loans such as automobile loans are indirectly for the same purpose. For example, it may be that the automobile provides the only means of transportation between home and school or the borrower may need a car for his work which enables him to afford an education. Other loans for essential family expenditures may also have enabled the student to remain in college instead of using his education fund for the general family expense.

ideas, methods, dreams

Education in braille

In case anybody needs credit union literature in braille, the Maryland Credit Union League has produced an educational piece for the blind in connection with the chartering of a credit union among employees of the Maryland Workshop for the Blind in Baltimore.

This consists of about 1,000 words explaining how the credit union operates and who the officers are. It includes an abridged loan repayment table and a savings accumulation chart.

The credit union was chartered last August. Three out of five members of the board are blind. It is called Employees M. W. Federal Credit Union.

Frequent member meetings

Bi-monthly membership meetings have helped to make Rosemount Credit Union the largest community credit union in Montreal.

Mrs. M. E. Jefferson became educational chairman of this credit union by the usual method of asking questions. She and her husband, newly arrived in Montreal from England, went to the credit union annual meeting out of curiosity.

"There were fourteen people present, and officers were being elected," Mrs. Jefferson recalls. "There was talk of an educational committee, and no volunteers, so I began asking questions as to what the education committee was for and what it did. No one seemed to know its exact function, and one person present said, 'The ladies of the education committee make tea at the meeting.' I said, 'That's not education,' and was promptly hi-jacked onto the education committee."

Armed with literature from the Quebec League office, Mrs. Jefferson worked out a series of membership meetings. Speakers, films, refreshments, "the subjects are as varied as the needs of the people," says Mrs. Jefferson. "So many meetings, so many subjects—I don't remember them all. Always there are refreshments—and that is the time most questions are asked. Most people hate to stand up and ask questions at the regular question period."

From 160 members and $6,000 of assets in 1950, this credit union has grown to 500 members and $130,000 of assets in 1957. Attendance at membership meetings averages 50 or 60.

Financing a boat

Commuting across Narragansett Bay by boat saves workers at the U.S. Naval Air Station on Quonset Point, Rhode Island, about two hours a day. The boat they travel on, M. V. Viking, they bought themselves with credit union loans. She is just under 65 feet long, draws 5 feet, and carries 200 passengers. She began service July 27, 1954, and has been in continuous service ever since. She has survived three hurricanes.

The need for the Viking began to appear with the closing of the U.S. Naval Torpedo Station at Newport. Laborers and white collar workers at the torpedo station got new jobs at the Naval Air Station across the bay. But driving to work was slow and difficult, around the shore lines, and inlets and over the toll bridges of Narragansett Bay. It took as long as two hours each way. Most of the workers chartered water taxis, fishing boats or other power craft to get to work. At length a large vessel

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Things your treasurer can tell you

How to help your children get started saving.

How to set up your savings account to get the best insurance protection for yourself and your wife.

How to refinance your loan if you need more money or more time.

How to save money when you buy a car, kitchen equipment or furniture.

How to protect your family from paying your debts if you die.

How to help your friends, relatives or neighbors organize credit unions.

Why save?

How long would your money last if you lost your job tomorrow?

If you had a wonderful opportunity tomorrow to go into a line of business you like very much for an investment of $15,000, could you do it?

If your doctor told you you needed a long rest in the country, could you afford it?

These questions suggest some of

from the Block Island run was hired. Fares rose steadily; in 1953, they reached $6 a week. For most, this was too high.

One hundred fifty members of the Quonset Point Credit Union got together and bought their own boat. The Viking cost them approximately $57,000 to build—they raised the money by selling shares at $400 per member. Nearly all these share purchases were financed by credit union loans to the members. The loans have been retired at the rate of $3 per week per member, with an extra $2 going for operating costs. In 1956 the co-op boat group bought the notes from the credit union and is collecting the remaining balances directly. By the end of the third year of operation, all indebtedness was retired.

Contest builds growth

A contest running eight weeks has helped the West University Employees Credit Union of Houston, Texas, build up membership and assets.

This is a small group, with only 104 potential members. Nevertheless, during the eight weeks 25 new members were added and loan applications for more than $18,000 were approved.

The members were divided into ten teams, with names like Red Sox, Cubs, Lions, Eagles and so on. Scoring was based on a point system. One point was awarded for each dollar added to share accounts, one point for each dollar borrowed and invested in shares, two points for each dollar borrowed, five points for each good idea submitted, and 100

points for each new member recruited.

The scoring ran high. The Lions, who won, scored 14,756 points, and the Eagles, in second place, scored 11,152. In addition, a prize of $25 was awarded to the member who scored highest on a credit union quiz, after a brochure of general credit union information had been distributed to each member.

Based on a suggestion by educa-

the reasons why you should save regularly. Obviously, you can't save enough to buy out General Motors some day, but any small amount of savings will give you more opportunities and more safety, whichever you want.

(Of course you know that people who save do it by saving a certain amount before spending anything.)

Car costs are up

THE cost of running a car has risen rapidly in the last two years —about 6 percent a year ago and another 4 per cent this year.

If your car costs are average, here is what you are paying out, according to an AAA estimate:

Cost per year	
For depreciation	$530
For licenses	18
For insurance	106
For gasoline (10,000 miles)	250
For repairs and maintenance	75
For tires	55
Total	$1,034
Add interest on car loan	108
Total	$1,142

The AAA figures do not include interest or other charges on car financing. However, 65 percent of cars are sold on credit; and since the average new car loan last year was $1700 for 30 months, interest payments plus extras run over $100 per annum for many families.

Paying annually

Tighten your belt an extra notch once a year and pay your life insurance premiums annually. You'll make a good savings.

Five big insurance companies show, for example, that it costs you between $5 and $8 per $100 of premiums if you pay monthly instead of annually; and extra $2.75 to $6 for quarterly payments and between $1.75 and $4 extra if you pay semiannually.

Children's accounts

There probably isn't anything more important in bringing up children than helping them get a realistic attitude toward work and toward money.

Children can learn that money is just a tool, if they have a chance to save toward a goal. Of course there is no way they can learn to handle money except by having some, and they can't learn what it really is until they've worked for it.

Children should be encouraged to work with a purpose, save with a purpose and spend with a purpose. In each case, the purpose should be one that really is interesting to them—not just one that grown-ups decide for them. You can't work or save with enthusiasm unless you have a goal of your own, rather than a goal somebody else picks for you.

Your credit union can help your children save. Ask the treasurer how to open children's accounts.

Your budget—a pleasure

Most people start a budget by putting down the necessities: food, rent, clothing, and so on.

Usually they end up with nothing much left for the pleasures of life.

Especially, they end up with no

JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
1	2	2	4	4	4	5	5	5	5		

BEAUMONT POSTAL CREDIT UNION
P. O. Box 55 Beaumont, Texas
INDIVIDUAL SHARES AND LOAN LEDGER

SHARES				
Paid In or Withdrawn	New Balance	Number of Shares	Old Balance	Amount P
	5.00	1	5.00–	
.60	5.60	1	5.00–	

tion chairman Curtis E. Posey, Jr., the contest has greatly increased interest in the credit union.

To figure share months

Figuring share months is easier thanks to a rubber stamp that the Beaumont Postal Credit Union uses on its ledger sheets.

This Texas group uses the share month method for figuring dividends.

"Early in the year," explains Mrs. Iris M. Smith, bookkeeper, "we place this stamp at the top of all ledger sheets, and at slack times during the year we start figuring the share months and list on the ledger sheets. At the end of the year all we need to do is transfer our figures to the dividend sheets. We find this very helpful and would like to pass it on to other credit unions that still use the share month way of figuring dividends."

Shut-in pipes up

"Several years ago we made a loan to a member," reports a California credit union. "He left the service of the company and his loan became delinquent. We wrote to him and received several small payments. Suddenly he seemed to have disappeared, and we lost all touch with him and charged off the small balance to the guaranty fund.

"After a silence of eight years we heard from him again. His address was a state prison several hundred miles away. We quote from his letter: 'I owe your credit union some money which I have always wanted to repay and I will repay you as soon as I serve out my twenty year sentence and find a job.' "

This is one of a delightful group of human interest stories collected by James W. Brown and published as a fact book about the Southwest Chapter of the California Credit Union League. The book lists all credit unions in the chapter and describes them. For example:

"Harbor Hospital Employees Credit Union, 1124 West Carson Street, Torrance, California. Organized: 1947 — Members at present: 1113. Assets: $406,000 — Shares: $365,000. Loans outstanding: $378,000. State charter. Members include doctors, nurses, janitors, attendants. Background: This hospital is part of the Los Angeles General Hospital, which operates six hospitals and two camps in different locations. Aid is given to 250,000 sick yearly. This institution is the largest of its kind in the United States."

Purpose of the booklet, which consists of 32 mimeographed pages, was to help chapter members get to know each other better.

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goal, no sense of purpose except to make ends meet.

This makes a budget pretty grim. Most people don't enjoy budgeting, often hate the very thought of it, put it off until it's too late to do a good job.

You can enjoy your budget if you start off with a goal. Set up a section in the budget for the thing you want most. Call this Dreams or Future or Something Special. Maybe it's a house you want to buy, a farm, a boat, a summer cottage, a trip to Europe. Whatever it is, make it the goal of your budget. Set aside a certain amount for it out of each paycheck, even though small. Then go on and figure rent, heat, food, clothes and all the other necessities.

Breaktime

"Good heavens!" cried Whistler as he saw his mother on her knees scrubbing the floor. "Have you gone off your rocker!"

Boss: "Who told you that because I kissed you a couple of times you could neglect your work around here?"

Secretary: "My lawyer."

"How I first met your mother is not a story for little ears like yours," a father told his son from behind the evening newspaper. "But one thing I can tell you. It certainly cured me of whistling."

Then comes the one about the certain engineer who returned home one night at a late hour and, finding difficulty with his equilibrium, made considerable noise in the hallway. Suddenly there was a sound of crashing glass which awakened his wife.

"Bill," she called, "what's the matter?"

From downstairs came a low mumble, "I'll teach those goldfish to snap at me."

optional $2 million coverage in 576 bond

CUNA BONDING SERVICE ANNOUNCES DOUBLED COVERAGE FOR CREDIT UNIONS IN THE UPPER RISK BRACKETS WITH ENLARGED BLANKET BOND

An optional bond that provides two million dollars of protection is now available in 49 states, provinces and territories as well as the District of Columbia, CUNA Insurance Services announced December 12.

The additional coverage when requested is provided by doubling the protection offered under the 100 percent form 576 blanket bond, which until now carried a maximum of $1 million.

There are over 300 credit unions with assets over $1 million now bonded with CUNA, said Arvin Hepler, assistant director of CUNA Insurance Services—Bonding. One, the largest, has now reached a size at which a $1 million bond no longer satisfies the requirements of the Bureau of Federal Credit Unions. Hence the new optional $2 million coverage becomes available just as the need for it is beginning to emerge.

It is a pioneering step in several respects, Hepler commented. It is apparently the first time $2 million of basic coverage has been made available in one package to any group of financial institutions. At the same time, CUNA Insurance Services is setting up a new loss prevention program; the first two field men, who will work with credit union leagues, chapters and credit unions, will be appointed soon, Hepler said.

The history of credit union bonds is a story of persistent efforts to produce protection especially suited to the needs and problems of credit unions.

In 1936 the first CUNA bonding program was set up. At that time the Federal Credit Union Act was just beginning to operate, and federal authorities required faithful performance coverage for the first time in addition to fidelity. The common rate at that time was $8 per thousand per annum for faithful performance, or $4 for fidelity only. Credit union experience had not been studied, and bonds were being bought wherever they could be found. There were fantastic varieties of bonds for sale at fantastic premium rates. Many credit unions were buying highly unsuitable coverage, which failed to protect when disaster struck. There were no experts.

Rates cut sharply

The first achievement of the CUNA bonding program was to bring about a rate reduction. The price of faithful performance was reduced from $8 to $4, and fidelity came down from $4 to $3. The second achievement was the substitution of position bonds for individual bonds, so that credit unions could replace officers and employees without paying extra premiums.

In 1939 came the first wave of serious defalcations. These were in the range of $40,000 to $50,000, and because bonding coverage was not yet adequately provided in many credit unions, the losses hurt badly. Supervisory agencies still had no recommendations spelling out adequate bonding minima.

The excess coverage device

To cope with this growing problem, CUNA's next step was to provide excess coverage. This arrangement provided an even $50,000 of additional protection to any credit union buying basic coverage equal to 10 percent of its assets and affiliated with CUNA. The excess coverage was paid for by the Credit Union National Association from its own income. Excess coverage was continued for some years, although in 1951 it was reduced to $25,000 and the primary coverage requirement was boosted from 10 percent to 20 percent of assets. It ran into complicated legal problems in some jurisdictions, but during the time it was in force it provided valuable protection. It exists today in only one state, where it will be canceled

March 1 and form 576 is now approved.

The next major step forward was a blanket bond, form 23, which was developed specifically for credit unions by the bonding carriers in 1942. For the first time, risks were covered besides fidelity and faithful performance—robbery, in particular—and for the first time all credit union officers and employees could be covered as a group. Form 23 furnished broader coverage at lower cost than anything worked out for credit unions up to that time, and it began to replace the older position bonds with their excess coverage supplements.

During the period from 1942 to 1950, however, the bonding experience of the credit union movement was still not satisfactory. The credit union movement grew extremely fast after World War II, and the risks multiplied greatly. There was a large increase in the number of credit unions with a million or more of assets. There was a rapid multiplication in the number of credit union officers and committee members, faster than the meager training facilities of the movement could handle. There was a much greater burden on credit union supervisory and auditing committees, which many of them found difficult and bewildering.

New blanket bond

As an answer to these new conditions, CUNA Bonding Service worked out with Employers Mutuals of Wausau, Wisconsin, a broader blanket bond known as form 576. This bond was made available in June 1953. In addition to the robbery protection included in form 23, the new blanket bond gave added protection against forgery and misplacement as part of the contract. In June 1954, the million dollar maximum and 100 percent feature were added, making it possible to protect a credit union against losses up to a million regardless of whether assets have been correctly reported.

The whole credit union movement quickly mobilized behind this bond, which seemed to provide most of the answers the movement had been looking for. For large amounts of coverage, this bond offered substantially lower rates than the older form 23, and it protected credit unions against the hazard of underestimating their risks in cases where assets had been concealed. In three years after the bond became available, more than 13,000 credit unions switched to this coverage. League boards and supervisory authorities nearly everywhere gave it their endorsement.

Meanwhile, the credit union movement also intensified its training program for supervisory committees. Manuals and workshop sessions seemed to produce a clear improvement in the work of these committees. In 1954, the bonding experience of the credit union movement was still not good, and there was some question whether rates on bonds would have to be increased. But in 1955 the experience improved, and today credit unions can still buy broad coverage at low rates.

Last November, besides approving the new $2 million limit, the CUNA executive committee made another significant decision. A loss prevention program was voted, which will provide personnel and materials for educational work in this field. This is not to be a policing program, Hepler emphasizes. What is contemplated is schools and workshop sessions as requested by leagues and chapters; special surveys of individual credit unions where requested; and liaison with supervisory agencies. Two men will be added to the staff soon.

The $2 million dollar coverage illustrates the progress that has been made possible by pooled credit union experience, Hepler points out. There are 17,000 credit unions now participating in the CUNA bonding program, and only this large spread has made possible the great strides made in recent years toward broader coverage and lower rates.

States, provinces and territories in which the optional $2 million coverage has been approved: Alabama, Alaska, Arizona, Arkansas, Colorado, Connecticut, Delaware, District of Columbia, Florida, Georgia, Hawaii, Illinois, Indiana, Iowa, Kansas, Kentucky, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Nebraska, Nevada, New Hampshire, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin, Wyoming.

In Canada: British Columbia, Manitoba, New Brunswick, Ontario, Prince Edward Island, Quebec.

Minnesota pioneer dies

George F. Feller, Minnesota credit union pioneer and father of Group Health Mutual Insurance Company, died on November 10, 1957, at a Saint Paul Hospital. He was sixty-two.

Active in Minnesota credit union affairs since 1928, Feller was a national director of CUNA from 1937 to 1947 and a member of the CUNA Mutual Board from 1939 to 1947. For four of these years he served as treasurer of CUNA Mutual.

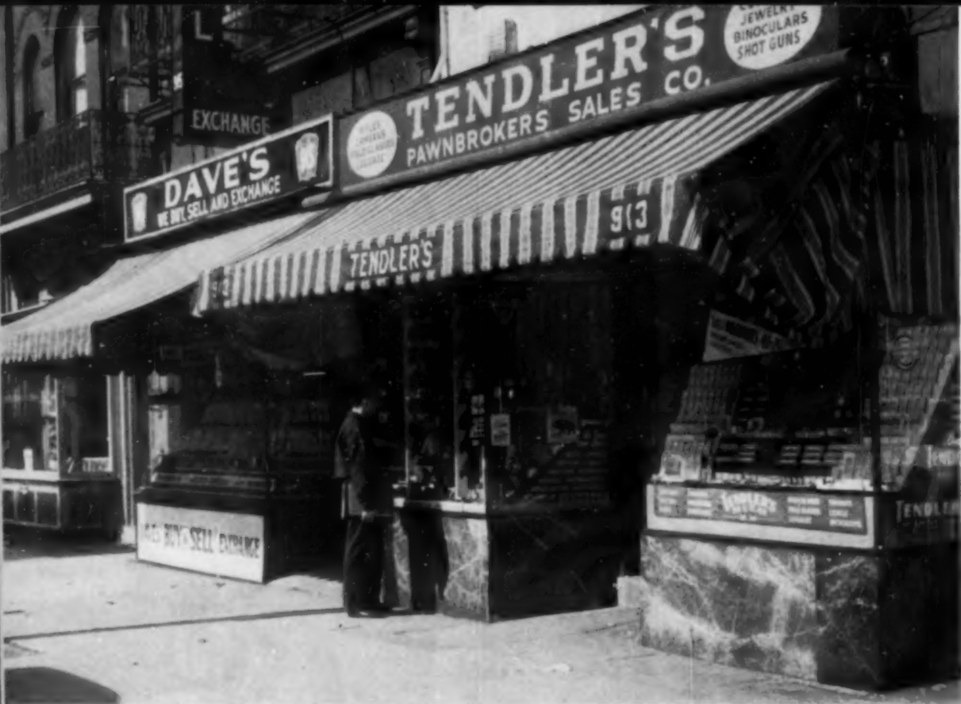
The Minnesota League of Credit Unions elected Feller to its board during the league's first annual meeting in January 1931. Feller served on the league board continuously until 1953. From 1935 to 1939 he was league president and in 1951 was honored with the title of president emeritus.

During 1933 Feller helped organize Minnesota Central Credit Union and served on its board until 1947. He was first elected clerk, then vice-president and for the last ten years served as president.

A discussion of the burdens of medical care during CUNA Mutual's annual board meeting in 1937 substantially affected Feller's future and secured medical insurance protection for thousands of credit union families.

At this meeting Edward A. Filene, the Boston merchant who had done so much to further the development and growth of the credit union movement in the Western Hemisphere, pledged $5,000 of his personal funds to a committee of which Feller was a member. And on that day Group Health Mutual came into existence.

"Through our credit union movement and Group Health Mutual," said Feller during a recent stag session at his home, "we have done for ourselves things . . . better and more humanely and at less cost than the mightiest financial systems in the world."



A new law and police undercover work trapped six in a week. "Buying" and "selling" goods, they evaded strict laws on small loans.

THE DISTRICT OF COLUMBIA CRACKS DOWN ON

HIDDEN PAWN SHOPS

BLACK MARKET LENDING UNDER THE GUISE OF DEALING IN SECOND HAND GOODS LEADS TO POLICE DRIVE

THE problems involved in finding respectable and humane credit resources for people who need extremely small sums of money are evident once again in the District of Columbia, where an effort is currently underway to bring the flourishing black-market pawnbrokerage business under a new licensing law recently approved by Congress.

This law, putting a 2 percent per month ceiling on loans up to $200 and 1 percent on loans in the $200 to $1,000 range, has not been any cause for rejoicing among the hundreds of "second-hand dealers" who have been conducting sub rosa pawnshop operations. They insist the rate is unrealistic, and so far they have underlined their feelings by refusing to go down to the District of Columbia licensing office in any substantial numbers for permission to operate officially as pawnbrokers.

This new law is the first effort to remedy an admittedly intolerable situation which has developed since the adoption in 1913 of a Loan Shark Act which put a 1 percent ceiling on small loans.

It has long been apparent that the Loan Shark Act was self-defeating. Instead of providing protection for the hard-pressed borrower, it drove small loan companies out of the District of Columbia, and it ultimately forced virtually all of the District's legitimate pawnbroking establishments out of business.

Tracking stolen goods

Police estimate that as many as 800 firms in Washington have been providing cash for people who are willing to pledge merchandise to cover the loan, but until recently there has been only one company officially licensed as a pawnbroker. Even this firm acknowledges that it has been able to function under the old 1 percent ceiling only because other operations—jewelry, music, etc.—more than cover basic business costs.

Many of the others are licensed second-hand dealers, function more like a legalized black market, often under big signs, "Pawnbrokers Exchange." This set up has been acceptable to the police because the second-hand dealers keep the same kind of detailed records that pawnbrokers keep, and provide active assistance in tracking down stolen goods.

But it is hardly comfortable for borrowers. To stay out from under the Loan Shark Act, second-hand dealers profess to be "buying" the merchandise. Inasmuch as they actually take title to the goods, the borrower does not get a claim check, and he has no legal claim if the goods are gone when he tries to redeem them. Worse than that, he must pay whatever the traffic will bear. Even though there may be some informal agreement on the ultimate resale price, the mark-up usually constitutes a rate which public officials would never ad-

vocate in a respectable small loan law.

When the Commissioners of the District of Columbia went to Congress two years ago for revision of the Loan Shark Act of 1913, they recognized that unrealistic ceilings on small loans were self-defeating. Their original bill tried to establish more acceptable rates on small cash loans as well as merchandise loans. By the time the powerful loan company lobby finished with it, the bill which reached President Eisenhower for approval had been trimmed so that it dealt only with pawnbroker loans.

Facilities across the line

Except for a few national chains, the loan companies apparently prefer to keep things as they are. While much of their patronage comes from people who live in Washington, the laws which keep them out of the District of Columbia are no handicap. Under the hospitable laws of Maryland and Virginia, they establish themselves just outside the border of the District of Columbia, and saturate the local newspapers, radio and streetcars with their advertising. To accommodate the needy who trek out from the city, their shops stand shoulder to shoulder, lining both curbs for several blocks just outside the borders of Washington on every major artery leading into the nation's Capitol.

Some of the national chains indicated a desire to operate in Washington if a reasonable law could be passed. Most, however, already have big investments in valuable commercial sites outside the District. Since there is no possibility that Congress would agree to laws as acceptable as those which exist in Maryland and Virginia, small loan companies have no intention of risking a situation where powerful competitors might be able to establish themselves in the District of Columbia and make loans on terms more favorable to borrowers than the terms which are allowed in Maryland and Virginia.

By the time the legislation reached the Senate, loan companies had already been removed from the bill. Pawnbrokers also made a last-stand in the Senate District Committee, but their warning that a 2 percent monthly rate would not work in the pawnbrokerage business was brushed aside, and the pawnbroker part of the bill slipped through in the final minutes of the session, as often happens.

History itself seemed to support their case. A 2 percent monthly rate had been tried in the original District of Columbia pawnbroker licensing act of 1889, only to be superseded by a 3 percent rate two years later. Pawnbrokers seemed to be getting along all right under the 3 percent rate in pre-World War I days, when they unexpectedly found themselves enmeshed in the Loan Shark Act.

From testimony given before the Senate District of Columbia Committee, pawnbrokers were actually unintended victims of the Loan Shark Act. So far as anyone can recall, there was little public complaint about the 3 percent per month pawnbrokers charged in 1913. When the 1 percent ceiling was specified Congress was thinking chiefly of unregulated loan sharks, who were getting unconscionable returns for small cash loans. For a time after passage of the Loan Shark Act, the District of Columbia permitted pawnbrokers to continue their 3 percent loans. Only after a court test was it found that Congress, quite inadvertently, applied the 1 percent ceiling to all loans. And it was after this that pawnshops, one by one, began pulling down their familiar trademark from over the front door, and transforming themselves to second-hand stores.

If the new law works out the way its sponsors expect it is going to be next to impossible for second-hand dealers to operate sub rosa pawnbroker businesses, for the new law broadens the definition of pawnbroker to include those who deal "in the purchasing of personal property or other valuable things on condition of selling the same back again at a stipulated price."

Boosting the risk

Since the bill provides a $300 fine or 10 days in jail for every illegal pawnbrokerage transaction, sponsors figure the risks of black market pawnbrokerage will be too great for many to take a chance. On the other hand, police witnesses warned it will generally be difficult to produce proof that an agreement to resell at a stipulated price was made.

Because pawnshops are so useful to thieves, police took an active role in drafting the bill. Police witnesses fought for provisions requiring pawnbrokers to submit to search whenever

there is reason to believe stolen property is on the premises. Detailed records of each loan are required, and pawnbrokers are not allowed to redeem a ticket in less than 15 days unless a waiver is obtained from the police. Forfeited property must be held for a year, and must be advertised for six days in a newspaper before sold.

While complex constitutional issues were raised against these provisions, deputy police chief Edgar E. Scott stood his ground. He testified that a wide variety of crimes have been solved through pawnshop leads. In a typical year, he reported, nearly $100,000 in stolen goods are recovered as a result of the daily reports which police receive from second-hand dealers. Without the 15-day freeze, he said, there would be nothing to prevent a thief from selling a pawn ticket at a profit to someone hopeful of picking up a bargain.

Despite the fact that the new law will apparently put an end to much of the unofficial pawnbrokerage business that has gone on in second-hand stores, less than half a dozen businessmen have indicated their intention of becoming licensed pawnbrokers. Others, including a few of the biggest "pawnbrokers exchanges", are actually shutting up shop, while the remaining second-hand dealers are re-

Gaudy signs and plenty of cheap merchandise indicate pawnbrokers. Yet, in spite of police estimates that there are 800 in the nation's capital, only six were registered. Police found charges of $4 where 50 cents was legal limit.

fining their methods to eliminate any possibility they will be accused of engaging in the pawnbrokerage business.

Samuel C. Klein, attorney for some of the second-hand dealers, tried unsuccessfully to convince the Senate's District of Columbia Committee that the 2 percent per month interest rate did not represent a sensible approach to the credit problems of the people who patronize second-hand stores.

He produced a survey covering an eight-day period just before the hearing got underway, showing that 1,090 "purchases" by 35 second-hand stores involved only $6,517.25, or slightly less than an average of $6 per purchase.

Most of these borrowers, he pointed out, are people in desperate situations who need quick cash for food, medicine or perhaps to get to work. In 700 instances, the "purchases" by the the second-hand dealer amounted to $5 or less, and in at least half the cases the item which was brought in was clothing or wearing apparel.

He argued that the 2 percent rate would be so unrealistic that a person who borrowed $25 from a pawnshop on a console TV would pay 50 cents per month on the loan. "If he had brought the set to Smith Storage and Van Company in the District for storage instead," Klein observed, "he would have to pay $2.50 per month plus $2.50 additional for handling when he removed it."

His description of the kind of loans which are made through pawnbrokers is consistent with the evidence given to the committee by Jerome Livingston, Washington's only licensed pawnbroker. In a four-year period beginning in 1952, Livingston's firm made 40,000 loans totaling $3,250,000. About half were for $25 or less.

Sliding scale proposed

As it finally passed, the law contained a section which allows the Commissioners of the District of Columbia to revise the ceiling on interest rates if they find it necessary in order to stimulate development of a legitimate pawnshop trade. Klein thought the scale ought to be similar to the one which exists in Virginia—10 percent per month on loans up to $25, 5 percent on loans to $100, and 3 percent over $100. But neither he nor his clients have made any move to request the District of Columbia to consider an upward adjustment of the 2 percent rate recommended by Congress in passing the law; and even the pawnbroker witnesses—confronted by hosttile Senate reaction — conceded that Virginia's 10 percent per month rate on $25 loans is more than anyone needs or ought to charge.

Undoubtedly a large percentage of the District of Columbia residents who slip into the second-hand stores to get money are domestics, construction workers or others who have little chance of getting help at their place of employment, he observes. Yet others are government workers or employees of fairly large businesses, who frequently could be getting help from credit unions, he says.

The problem of providing help for these people is not easily solved, Klein comments. But he believes credit unions can be one of the most helpful instruments in solving it. "In some instances," he says, "people who ought to be looking to their credit union for help may be going elsewhere because they fear they will have to reveal their confidential affairs to fellow employees. Particularly if they need a relatively small sum, and only for a brief period, they may hesitate to fill out a complicated application or submit to a loan committee.

"Perhaps it would be possible to get around this, and help these people, if there could be some way for them to borrow small sums for short periods without going through a cumbersome application. Sort of a petty cash loan procedure which would enable reliable people to get $5, or $10 for emergencies simply by stepping in and requesting it."

Dwayne Johnson, Ed Lancette and Fred Stahl study the goals and potentialities of the Minne-Mine Credit Union.

Pilot groups kick off Operation Impact

BEGINNING January 1, pilot projects began to test Operation Impact materials.

The first two credit unions to kick off local Operation Impact programs were the Minne-Mine Credit Union of St. Paul, Minnesota, an industrial group, and Portland Community Credit Union of Portland, North Dakota, a rural group.

Before the end of 1957, Minne-Mine had outlined a year's campaign. With $94,297 in assets at the end of November 1957 and close to 600 members, it aims at $250,000 in assets by the end of 1958. While no year-end membership goal has been set, officers hope to make a sizable gain.

The Portland Credit Union, an older group, already had 1,374 members as it launched its Operation Impact program. It hopes to pick up 600 new members in 1958 and $100,000 in assets, which would be about a 33 percent increase.

Operation Impact, of course, is not a cut and dried promotion program. It starts with an analysis of the credit union's potentialities and develops recommendations appropriate to the credit union's needs. Kent Francis, director of the CUNA department of special projects and father of Operation Impact, spent several days with the officers of these two credit unions' working out target sheets with them.

Although it has picked up only 600 members in three years, Minne-Mine has a potential of 6,300 employees working for Minnesota Mining & Manufacturing Company. Treasurer Ed Lancette has a smoothly working team of tellers or collectors picking up new members, but he and his fellow officers quickly took to Operation Impact when they had discussed it with Francis and Stahl.

To date, here's what Minne-Mine has done:

1. Set up a five-man Operation Impact committee.

> **Please . . .**
>
> Credit unions that have begun their own Operation Impact programs are invited to report results to The Credit Union Bridge.
>
> Tell us what you do to get new members . . .
>
> To build service . . .
>
> Tell us what you do that is unusual, different, imaginative . . .
>
> Tell us what happens . . .
>
> Write to The Bridge, Box 431, Madison, Wisconsin.

2. Appropriated a flexible amount between $2300 and $3000.
3. Allocated from $1900 to $2400 for mailings.
4. As preparation for the mailing program, bought a new letterhead—42,000 on multigraph paper, 1500 on bond, with 43,500 envelopes.
5. Scheduled twelve monthly mailings through the year to 3,500 potential members.
6. Arranged with the league to have addressing handled in the league office, where similar service will be made available to all other credit unions in Minnesota.
7. Built up a mailing list from the city directory, rechecking names and addresses in the phone book.
8. Set up a dinner for tellers to back up the mailings with personal contact work.
9. Hired an employee to handle the anticipated increase in office work.
10. Planned to bring in additional office help when needed at $1.25 an hour.
11. Improved delinquency controls in order to maximize available funds.

At Portland, similar steps have been taken, adapted to rural conditions.

1. A 22-man committee has been set up, including 10 members of the education committee.
2. House to house and person to person contacts have been planned.
3. Advertising has been scheduled in four area weekly newspapers.
4. Operation Impact pamphlets are being inserted in all newsletter envelopes and other mail going to members.
5. A mailing list of all members and potential members in the area is being compiled.
6. A budget, based on 5 percent of anticipated income, is being set up.
7. A stepped-up speaking campaign is being worked out, to reach civic groups, students, etc.
8. Advertising in local motion picture houses will be used.
9. A membership drive will be scheduled during the harvest season, July 15 to August 15.

Life Savings Limit

(*Continued from page* 11)

as their interest follows their money and if we keep them informed of our many services and ideals they will not only borrow from us every time there is a need but will also encourage others to do so. Since they own proportionately more of our shares, they also benefit more. During the past eleven years we have learned not to worry about surplus cash—for our loans have always increased in direct proportion to our shares. Of course, there is always a slight difference in balances, but this can be temporarily deposited in loans to other credit unions, savings and loan associations or government bonds, until needed. Since the increase of the life savings maximum would encourage members to save more money, we felt that making this service available to them was fulfilling one of our basic purposes.

Against high dividends

Second: Placing too much emphasis on high dividends is a violation of our basic philosophy and, if long practiced, will change a credit union from a self-help organization to just another lending institution with selfish motives. Depositors provide the money for our loans and are entitled to and will receive a good dividend. It is our belief from our experience through the years that we can provide a source of loans to our members, furnish a complete line of services including loan and life savings insurance, maintain convenient, well equipped offices, provide our own staff and pay them according to their abilities, and the dividends will still take care of themselves. Most of the credit unions that we have observed who have paid high dividends have done so by not having a complete line of services; by sacrificing on facilities or operating hours; by not carrying sufficient bond coverage; by not keeping their board members, committee members and employees informed and educated by attendance in schools and conventions; by being subsidized by company or union; by underpaying their employees; or, by restricting deposits (helping a few rather than the entire membership). Our credit union has consistently paid 4½ percent (which is probably too much considering our insurance program and the 'going rate' for investors) and has always had funds available for every purpose. We have frequently paid less than other credit unions on our railroad, and the irony is that many members have withdrawn their shares from other credit unions and placed them with us because of better service, better informed employees, better facilities or the knowledge that we are dedicated to helping all our members, not just a few. Credit unions sometimes fear the reaction of some big stockholders when they fail to supply a big dividend. This is foolish, for the problem will always resolve itself. The first time the credit unions fail to pay enough dividends to keep the 'money grabbers' happy, they will withdraw their funds, since they have only selfish motives and are not really interested in helping others. When they do, the share and loan balances will be thrown back into proportion. This will cause the dividend rate to rise again, and the investors who withdrew will return immediately as they are only seeking the best deal they can get.

What about service

Third: Let's consider the services that we should provide to our members. We have discussed the advisability of encouraging thrift without placing a high share limit on accounts for selfish purposes. We must provide a rapid loan service based on character. Loan protection and life savings insurance services may be provided by credit unions without cost to members. No other saving and loan organizations does this. Our offices should be modern and efficient and our equipment should be the best and should be owned by the credit union. Credit union business is now big business, and should not be carried on in cracker boxes. Our staff should be intelligent and dedicated people who have a sincere desire to help others. They should be fairly paid and must not be sacrificed for a mere higher dividend. We should become entirely self-supporting, for with every subsidy comes an obligation. Our officers, committee members, and employees should attend as many chapter meetings, credit union schools and League conventions as possible at credit union expense. Money so spent will return to the members more value than if used for a little more dividend.

I'm sure that now you know something of our beliefs and philosophy, you can see why we increased our life savings insurance without much concern as to how it would affect our dividend. We felt it was just another way of helping a segment of our membership. Some services such as this one may help some members more than others; but if we maintain a wide range of services, all our membership will benefit. An interest refund helps others who may not be helped by the life savings insurance increase.

In answer to your specific questions, we offer the table on page 10.

These figures pretty well substantiate our thinking. We hope that you will accept this letter in the spirit in which it is written. We felt that we would have been unfair to have given you only the statistics asked for without telling you how we arrived at the conclusion.

W. T. Bruegman
Fort Worth, Texas

The CUNA Mutual Position

To the Editor:

The cost of life savings insurance is spread, not on a per capita basis, but on the basis of shareholding. Therefore it is borne in proportion to the benefits received, in so far as it affects dividends.

Likewise, the benefits are received by members proportionately according to the amounts they contribute to the working capital of the credit union. In fact, as a matter of simple equity, disregarding other considerations, there should perhaps be no maximum to the amount of deposits on which life insurance is provided, since deposits made over the maximum are thus discriminated against.

It is true that the larger deposits are, on the average though by no means always, held by older members —who therefore tend to get more insurance for their share of the credit union funds paid for the life savings insurance. Each member benefits similarly in this way as he grows older. This, of course, is a characteristic of the whole life savings program, which is designed simply to encourage savings by rewarding the saving member with a basic amount of life insurance—and to do this with

a minimum of record-keeping and underwriting costs.

The record-keeping and reporting costs saved by using a single premium rate for all ages, and by providing the same benefits over wide age groups, are indeed very substantial. From the beginning there has been some question as to how much insurance ought to be provided on this basis. CUNA Mutual pioneered in the field, in the face of the ever-present prophets of doom, and moved into the field carefully. Its experience has justified the increase in the maximum coverage to $2,000, which has been requested by policyholders at meeting after meeting. The increase came only after extended discussion and after a number of surveys by the CUNA Mutual actuary of the effect of life savings insurance on credit union business.

There has never been any serious question about the value of the insurance received by the credit union member through life savings insurance at all ages. There is overwhelming agreement among credit unions that have fully informed their members about the benefits provided, that life savings insurance is a star salesman of the credit union.

On the other hand, it is generally agreed that very little of an individual's savings for his own lifetime needs and desires should be tied up with his life insurance program. That is perhaps the compelling reason for limiting the amount of life insurance provided by life savings insurance, and for keeping it simply a basic protection-thrift promoter.

In the face of the increase in incomes and cost of living and the decrease in dollar-values since life savings insurance was first provided, the increase in the maximum coverage to $2,000 is relatively small.

It should be noted, also, that each credit union voluntarily decides for itself whether to provide the increase in maximum coverage. Also, the experience of those who elect to provide the increase is kept separate, so that dividends for the credit unions providing the old and the new maximum may be figured separately and equitably.

As in all phases of the credit union program, the members benefit from life savings insurance to the extent that they participate in, and contribute to, the credit union; and they do this to the extent that the opportunities and benefits provided by the credit union are made clear to them. While it is a matter of individual opinion as to whether the life savings insurance maximum ought to be $1,000 or $2,000—in view of the considerations mentioned above—both maximums are actuarily justified on the basis of CUNA Mutual experience, and both distribute their costs and provide their benefits equitably.

Howard Custer, Manager
Policyowner Relations

Counselling

(*Continued from page 5*)

got the credit union some office space in the courthouse and began implementing the board's liberal policies. Now the credit union has its credit counseling and cashier facilities in the courthouse and has its board room, insurance advisor and home financing services in its own building a block from the courthouse.

One thing that the credit counselors have to be prepared to do is carry the credit union's entire services to the member. Each afternoon, five days a week and two hours a day, the credit union staffs an office at the Veterans Administration hospital. The insurance advisor goes on Mondays and Fridays, the credit counselors on Tuesdays and Thursdays and the managing director goes on Wednesdays, primarily to handle home financing and home improvement loans. However, each of these must be prepared to take membership and loan applications, process share withdrawals and answer questions about all credit union services.

In a complete credit counseling service, knowledge of family budgeting techniques and problems is important. U.S. Courthouse Credit Union gives its counselors this knowledge through frequent conferences with the managing director and office manager (both former credit counselors) and through subscriptions to The Credit World, publication of the Retail Credit Association of America, and other publications such as The Credit Union Bridge, Kiplinger Letters, Trends, Changing Times and the Tennessee League's monthly publication, The Tennessee Credit Union League Reporter.

Counselors also are encouraged to read such credit union books as Poor Man's Prayer, Credit for the Millions, Crusade and The Federal Credit Union. Other suggested reading includes the CUNA Mutual Insurance Society handbook, the League informational manual and the U. S. Courthouse Credit Union's own written standard operation procedures and position descriptions.

Counselor training doesn't stop with reading. Credit counselors also are encouraged to participate in chapter programs and workshops, including those sponsored by chapters near Nashville. Finally, as a day-to-day suggestion, the counselors are advised to read daily papers, especially articles relating to consumer finance.

In every loan application where improper money management is indicated, the member is asked to furnish complete information on the expenses which created the loan need. The counselor reviews this information and tells the member frankly whether he thinks there were any injudicious or unnecessary expenditures.

Where serious mismanagement is indicated, man and wife are called in for a counseling interview. The counselor tries to determine which is the dominant person of the household and to convince that person of the desirability of setting up and sticking to a family budget. Usually these families have never followed a budget. The need for a budget is shown by pointing out that payments on a credit union loan must come out of whatever cash is left after fixed expenses are met.

On some occasions the counselor, before approving a loan, requires the member family to agree to keep a budget and to have the budget reviewed periodically. In other cases members are asked to open a checking account into which all salary checks are deposited and from which all expenses are paid by check. This gives the credit union a record of disbursements.

Occasionally the counselor advises that family money management be transferred from one person to another.

As a member protection which may appear to be an intrusion but which has been well received, the credit

this driver needs your help!

Dear Credit Union Member:

How many "youthful drivers" do you know -- drivers between the ages of 16 and 25? Whether they'll admit it or not, as a group they need your help. It's because of this fact:

Drivers under 25 years of age (14% of all drivers) are causing nearly 30% of all accidents.

There are approximately 22 million drivers in this category today, and by 1960 there will be 25 million of them! The situation will get no better -- unless we take positive steps immediately to get to the source of the problem.

Today the automobile is considered a necessity. Sooner or later, most young people will take up driving. Whether they become good, reliable drivers -- or part of the set of terrible statistics -- depends to a great extent upon the training and education they get right now!

The "youthful driver" problem has many sides, experts point out, but most agree on this: It is vitally important to condition the attitude of the youthful driver toward safe auto operation.

In the opinion of most educators, driver education should become a part of the regular school curriculum, and not be just an optional course, available at random. Every attempt should be made to show the potential driver the great responsibility that is his.

Available statistics from about 6,000 high schools indicate that those with "behind-the-wheel" and classroom instruction have as much as 50 percent or better safety records than those without. If there is no driver training course available in your community, why not try to help establish one? Costs money? Yes, but far less than the damage that will be caused by "untrained drivers."

It's important to note, too, that many insurance companies now allow a 10 percent rate reduction on certain coverages when the male driver has completed a certified driving course, including "behind-the-wheel" and classroom instruction.

Look into this problem in your community today. Any assistance you can give will mean fewer accidents and fewer fatalities for the "16 to 25" group, and ultimately a much improved safety record for the entire driving population.

Your Credit Union Auto Insurance Advisor

PROTECTION · EMPLOYERS MUTUALS OF WAUSAU · SERVICE · SAVINGS

The credit union auto insurance program was established by mutual agreement between the Credit Union National Association and the Employers Mutuals of Wausau, Wisconsin. Nearly 1,000 credit unions take part in this program. This wholesale bargaining approach to insurance is your best protection. You are insured by a top-rated company and doubly protected by the prestige and reputation of the organized credit union movement.

union has arranged a stop-order plan with the local credit bureau. After the credit union has loaned enough supposedly to pay all the member's outstanding bills and loans, the credit union asks to be informed if any further credit ratings are sought on the borrowing member. This usually indicates that the member is seeking additional credit though he has already agreed that he is over-extended. The firm which has offered to extend additional credit is asked to contact the credit union so that a counselor may describe the member's financial condition and so that the prospective creditor may explain why credit was sought.

If the counselor feels that the member is ill-advised in getting more credit, he discusses the account with the member and tries to convince him that additional credit would not really be helpful. However, if the member is unconvinced, the credit union tries to extend the added credit. In no instance has a member ever expressed resentment toward this service.

In developing its credit counseling program, the U.S. Courthouse Credit Union outstripped itself in one respect. It produced capable men and provided real service to members, but it provided little incentive for the counselors to remain with the credit union. As a result there has been more turnover in these positions than the board of directors likes, and there has been some reassessing of the worth of these positions.

Salaries have been upgraded, and are subject to further change. Semi-private glass booths have been provided for credit counseling. Each counselor has a general area of the membership which he serves, but the membership eventually will be broken down alphabetically with each counselor responsible for a particular group of members. The credit counselors understand that they are the go-between for the credit committee and the members and between the board of directors and the members. The credit committee hasn't hesitated to send the counselor back for more information when it considered a loan application incomplete. In all of this, the credit counselor is made to feel that he is an essential part of the U.S. Courthouse Credit Union and that he, as a counselor, must put the service motive first but must remain both sensible and sensitive.

Bound volumes available

Bound volumes of The Credit Union Bridge are available at $4.50. The 1957 volume is the first to contain a complete index. Earlier years are also in stock in small quantities.

Tennessee adds to staff

Eason Bouldin joined the staff of the Tennessee Credit Union League as a field representative last September. He is stationed in Memphis and serves the West Tennessee area.


Bouldin

Bouldin's previous credit union experience includes employment at Gordons Transports Federal Credit Union as a bookkeeper.

The new fieldman graduated from Central High School in Bruceton,

Tennessee. He attended Memphis State University, where he majored in business administration.

Bouldin married last December. He is an active sports fan and takes a keen interest in football.

Church contributions

To the Editor:

In your January issue, 1958, of The Bridge you have some good ideas about planning your budget, but nothing for your church.

How come? The church should get something also besides some items listed. The figure under miscellaneous is far too low.

Frederick B. Schimpf
McKeesport, Pennsylvania

COMING EVENTS

February 6-7—Credit Union League of **Manitoba** annual meeting, Marlborough Hotel, Winnipeg.

February 10-15—**CUNA and affiliates'** quarterly meeting, Hamilton Hotel, Chicago, Illinois. February 13, 10 a.m., **joint meeting;** February 14, 10 a.m., **CUNA Mutual Board;** 2 p.m., **CUNA Supply Board;** February 15, 9 a.m., **CUNA Executive Committee.**

March 1 — **Maryland** Credit Union League annual meeting, Lord Baltimore Hotel, Baltimore.

March 6-8—**North Dakota** Credit Union League annual meeting, Memorial Building, Jamestown.

March 6-8—**Ontario** Credit Union League annual meeting, Royal York Hotel, Toronto.

March 7-8—**New Mexico** Credit Union League annual meeting, Elks Hall, Carlsbad.

March 10-12—Credit Union League of **Saskatchewan** annual meeting.

March 15 — **Connecticut** Credit Union League annual convention, Hotel Statler, Hartford.

March 21-22 — **Arizona** Credit Union League annual meeting, Memorial Union Building, Tempe.

March 21-22—**Mississippi** Credit Union annual meeting, Heidelberg Hotel, Jackson.

March 21-22—**Rhode Island** Credit Union League annual meeting, Sheraton-Biltmore Hotel, Providence.

March 22 — **Arkansas** Credit Union League annual meeting, LaFayette Hotel, Little Rock.

March 27-29—**Texas** Credit Union League annual meeting, Galvez Hotel, Galveston.

April 10-12 — **Oklahoma** Credit Union League annual meeting, Tulsa Hotel, Tulsa.

April 11-12 — Credit Union League of **Alberta** annual meeting.

April 11-12 — **District of Columbia** Credit Union League annual meeting, Hotel Statler, Washington.

April 11-12—**Illinois** Credit Union League annual meeting, Sherman Hotel, Chicago.

April 11-12—**Iowa** Credit Union League annual meeting, Savery Hotel, Des Moines.

April 11-12 — **Oregon** Credit Union League annual meeting, Multnomah Hotel, Portland.

April 11-12 — **Virginia** Credit Union League annual meeting, Hotel John Marshall, Richmond.

April 12—**New Hampshire** Credit Union League annual meeting, Angelo's Restaurant, Concord.

April 18-19 — **Colorado** Credit Union League annual meeting, Shirley-Savoy Hotel, Denver.

April 18-19—**Massachusetts** CUNA Association annual meeting, Hotel Somerset, Boston.

April 18-19 — **Tennessee** Credit Union League annual meeting, Hotel Patten, Chattanooga.

April 18-19—**West Virginia** Credit Union League annual meeting, Stonewall Jackson Hotel, Clarksburg.

April 18-20—**New Jersey** Credit Union League annual convention.

April 19—**Vermont** Credit Union League annual meeting, Pavilion Hotel, Montpelier.

April 24-27—**Ohio** Credit Union League annual meeting, Deshler Hilton, Neil House and Columbus Memorial Hall, Columbus.

April 25-26 — **Alabama** Credit Union League annual meeting, Mobile.

April 25-26 — **Michigan** Credit Union League annual meeting, Civic Auditorium, Grand Rapids.

April 25-26—**Minnesota** League of Credit Unions annual meeting, Duluth Hotel, Duluth.

April 25-26 — **Nebraska** Credit Union League annual meeting, Lincoln Hotel, Lincoln.

April 25-26—**Pennsylvania** Credit Union League annual meeting, Penn Harris Hotel, Harrisburg.

April 25-26 — **North Carolina** Credit Union League annual meeting, Robert E. Lee Hotel, Winston-Salem.

April 25-27—**Hawaii** Credit Union League annual meeting, Hawaiian Village Hotel, Honolulu.

April 25-27 — **Kansas** Credit Union League annual meeting, Broadview Hotel, Wichita.

April 25-27 — **Louisiana** Credit Union League annual meeting, Monteleone Hotel, New Orleans.

May 5-11—**CUNA and affiliates'** annual meetings, Loraine Hotel, Madison, Wisconsin.

May 7—9:00 a.m., **Joint Meeting,** CUNA Executive Committee, CUNA Mutual Board of Directors, CUNA Supply Cooperative Board of Directors; 2:00 p.m., **CUNA Supply Board** of Directors.

May 8—9:00 a.m., **CUNA Executive Committee;** 3:00 p.m., **CUNA Supply Membership** Meeting; followed by: **New CUNA Supply Board** of Directors.

May 9—8:00 a.m., **CUNA Mutual Board** of Directors; 10:00 to 4:00 p.m., **CUNA Mutual Biennial General Election;** followed by: **New CUNA Mutual Board** of Directors.

May 10 — 9:00 a.m., **CUNA National Board** Meeting.

May 11 — 9:00 a.m., **CUNA National Board** Meeting; followed by: **New CUNA Executive Committee;** followed by: **New Joint Board** Meeting.

May 23-25—**South Dakota** Credit Union League annual meeting, Lawler Hotel, Mitchell.

June 12-16 — **New York State** Credit Union League annual meeting, Laurels Country Club, Monticello, New York.

June 20-21—**Washington** Credit Union League annual meeting, Davenport Hotel, Spokane.

June 21-22 — **Montana** Credit Union League annual meeting, Rainbow Hotel, Great Falls.

June 23-25—**Nova Scotia** Credit Union League annual meeting, Sydney.

June 26-28 — **British Columbia** Credit Union League annual meeting, Sirocco Club, Victoria.